FH Faulding & Co Ltd & Anor v Bristol-Myers Squibb Co & Anor

HIGH COURT (KUALA LUMPUR) — SUIT NO D5–22–661 OF 1999
STEVE SHIM J
13 DECEMBER 1999

Civil Procedure *— Parties — Misjoinder of party — Patent cases — Licensee of patentee joined as party — Whether proper party — Patents Act 1983 s 61*

The second defendant appealed against the decision of the learned senior assistant registrar dismissing its application to set aside the plaintiffs' writ of summons and statement of claim under O 12 r 7 of the Rules of the High Court 1980 ('the RHC') and to strike out the statement of claim under O 18 r 19 of the RHC as well as pursuant to O 15 r 6 of the RHC for misjoinder. It was contended that the second defendant was not a proper party to the action because it was not the owner of Malaysia Patent No 109862-A in question.

Held, dismissing the appeal:

(1) In an application to set aside a writ under O 12 r 7 and to strike out a writ or other pleading under O 18 r 19, there is a legal burden on the applicant to show that the plaintiffs' claim, on the face of it, is wholly unarguable or obviously unsustainable which the second defendant in the instant case had failed to discharge (see p 62B).

(2) The second defendant was a proper party to this action because: (i) the second defendant being a licensee of the patentee (first defendant) could invoke s 61 of the Patents Act 1983 which confers a right on a licensee to move or request the owner of the patent to institute proceedings for any infringement thereof and if the owner refuses or fails to do so within three months from the receipt of the request, the licensee can then institute proceedings on its own; (ii) as the first defendant had substantial shareholding in the second defendant, it had therefore effective control of the decision making process of the second defendant and that, in effect, the second defendant was the agent of the first defendant in Malaysia; (iii) as the seller and distributor of the drug 'Taxol' in Malaysia, the second defendant had therefore substantial interest in the subject-matter of this action; as there were common questions of law and fact on issues relating to the rights and liabilities of the plaintiffs vis-à-vis the first and second defendant arising out of and in connection to the Malaysia Patent No 109862-A, the presence of the second defendant was necessary to ensure that all matters in dispute were effectually and completely determined and adjudicated by the court in the present action (see p 63D–H).

[Bahasa Malaysia summary

Defendan kedua telah merayu terhadap keputusan penolong kanan pendaftar yang arif menolak permohonannya untuk mengetepikan writ saman dan pernyataan tuntutan plaintif-plaintif di bawah A 12 k 7 Kaedah-Kaedah Mahkamah Tinggi 1980 ('KMT') dan untuk membatalkan pernyataan tuntutan tersebut di bawah A 18 k 19 KMT dan juga menurut A 15 k 6 KMT untuk salah cantum. Adalah ditegaskan bahawa defendan kedua bukan pihak yang betul kepada tindakan tersebut kerana ia bukan pemilik Paten Malaysia No 109862–A berkenaan.

Diputuskan, menolak rayuan tersebut:

(1) Di dalam suatu permohonan untuk mengetepikan satu writ di bawah A 18 k 19, terdapat beban undang-undang atas pemohon untuk menunjukkan bahawa tuntutan plaintif-plaintif, pada dasarnya, adalah tidak boleh dipertikaikan langsung atau dengan nyata tidak boleh diterima di mana defendan kedua di dalam kes ini telah gagal untuk laksanakan (lihat ms 62B).

(2) Defendan kedua adalah pihak yang betul kepada tindakan ini kerana: (i) defendan kedua yang merupakan pemegang lesen kepada pemunya paten (defendan pertama) boleh menggunakan s 61 Akta Paten 1983 yang memberikan hak ke atas pemegang lesen untuk membuat atau memohon pemilik paten tersebut memulakan prosiding untuk apa-apa pelanggaran dan juga pemilik enggan atau gagal berbuat demikian di dalam tempoh tiga bulan daripada penerimaan permohonan tersebut, pemegang lesen tersebut boleh kemudian memulakan prosiding dengan sendiri; (ii) memandangkan defendan pertama mempunyai pegangan saham yang substantif dalam defendan kedua, ia mempunyai kawalan efektif tentang proses membuat keputusan defendan kedua dan bahawa, dengan demikian, defendan kedua adalah ejen defendan pertama di Malaysia; (iii) sebagai penjual dan pengedar dadah 'Taxol' di Malaysia, defendan kedua oleh itu mempunyai kepentingan yang substantif dalam perkara pokok tindakan ini; memandangkan terdapat persoalan undang-undang dan fakta yang sama tentang isu-isu berhubung dengan hak dan liabiliti plaintif-plaintif berbanding dengan defendan-defendan pertama dan kedua yang timbul daripada dan berkaitan dengan Paten Malaysia No 109862–A, kehadiran defendan kedua adalah perlu untuk memastikan bahawa semua perkara yang dipertikaikan adalah ditentukan dan diadili dengan berkesan dan sempurna oleh mahkamah di dalam tindakan ini (lihat ms 63D–H).]

Notes

For cases on misjoinder of party, see 2(2) *Mallal's Digest* (4th Ed, 1998 Reissue) paras 3337–3338.

Cases referred to

Bandar Builder Sdn Bhd & Ors v UMBC Bhd [1993] 3 MLJ 36 (refd)

Dato' Param Cumaraswamy v MBf Capital Bhd [1997] 3 MLJ 824 (refd)

Monateach (M) Sdn Bhd v Jasa Keramat Sdn Bhd [1999] 4 MLJ 629 (refd)

Sambu (M) Sdn Bhd v Stone World Sdn Bhd & Anor [1997] 1 CLJ 775 (refd)

Legislation referred to

Patents Act 1983 ss 56(1), 62(1)

Rules of the High Court 1980 O 12 r 7, O 15 r 6(2)(a), O 18 r 19(1)(a), (b), (c), (d)

Ong Boo Seng (*Shook Lin & Bok*) for the plaintiff.

KK Peh (*Shearn Delamore & Co*) for the second defendant.

Steve Shim J: This is an appeal by the second defendant against the decision of the learned of the RHC dismissing with cost its application to set aside the plaintiffs' writ of summons and statement of claim under O 12 r 7 of the RHC and to strike out the said statement of claim under O 18 r 19 of the RHC. It is also made pursuant to O 15 r 6 of the RHC for misjoinder. The application is opposed by the plaintiffs. It is to be noted that although the application does not ex facie indicate which limb of O 18 r 19 of the RHC it falls under, there is sufficient indication as reflected in the submission of counsel for the second defendant that it is relying on the first limb under O 18 r 19(1)(a) of the RHC. I make particular mention of this because there are authorities which have established that an applicant cannot invoke the various limbs falling under O 18 r 19(1)(a), (b), (c) and (d) of the RHC on a cumulative basis by lumping them together: (see *Sambu (M) Sdn Bhd v Stone World Sdn Bhd & Anor* [1997] 1 CLJ 775; *Monateach (M) Sdn Bhd v Jasa Keramat Sdn Bhd* [1999] 4 MLJ 629). It is also to be noted that on the plea for misjoinder, the second defendant is in fact invoking O 15 r 6(2)(a) of the RHC.

Now, in *Dato' Param Cumaraswamy v MBf Capital Bhd* [1997] 3 MLJ 824, it was held by the Court of Appeal that an application to set aside a writ under O 12 r 7 of the RHC is based on the same principles as in an application to strike out a writ or other pleading under O 18 r 19 of the RHC. These principles have been succinctly restated by the Supreme Court in *Bandar Builder Sdn Bhd & Ors v UMBC Bhd* [1993] 3 MLJ 36 when Mohamed Dzaiddin FCJ said inter alia at p 43:

> The principles upon which the court acts in exercising its power under any of the four limbs of O 18 r 19(1) of the RHC are well settled. It is only in plain and obvious cases that recourse should be had to the summary process under this rule (per Lindley MR in *Hubbuck & Sons Ltd v Wilkinson, Heywood & Clark Ltd*) and this summary procedure can only be adopted when it can clearly be seen that a claim or answer is, on the face of it 'obviously

> unsustainable' (see *AG of Duchy of Lancaster v L & NW Rly Co*). It cannot be exercised by a minute examination of the documents and facts of the case in order to see whether the party has a cause of action or a defence: (see *Wenlock v Moloney & Ors*) ... The court must be satisfied that there is no reasonable cause of action or that the claims are frivolous or vexatious or that the defences raised are not arguable.

Quite clearly, there is a legal burden on the second defendant in the instant application, to show that the plaintiffs' claim is wholly unarguable against the second defendant ie that it is a plain and obvious case that, on the face of it, the claim is obviously unsustainable. In this connection, the second defendant has focussed its application on the basis that there are no causes of action as there are no issues to be tried as between the plaintiffs and the second defendant in this case. More specifically, it is contended that the following issues, namely: (1) invalidation of Malaysian Patent No 109862-A; (2) declaration of non-infringement and (3) threats of infringement, raised by the plaintiffs against the second defendant are non-issues or issues which are not triable. In respect of issues (1) and (2) above, the thrust of the second defendant's case is similar ie that they do not involve the second defendant as the second defendant is not the owner of the Malaysian Patent in question. Here, counsel for the second defendant has drawn attention to the provisions of s 56(1) and s 62(1) of the Patents Act 1983. Section 56(1) states:

> Any aggrieved person may institute court proceedings against the *owner of the patent* for the invalidation of the patent.

And s 62(1) states:

> Subject to sub-s (4), any interested person shall have the right to request, by instituting proceedings against the *owner of the patent* that the court declare that the performance of a specific act does not constitute an infringement of the patent.

According to him, the operative words 'owner of the patent' in s 56(1) and s 62(1) above are significant as they underscore the legal limits of an aggrieved or interested person in instituting court proceedings for invalidation of a patent or for declaration of non-infringement. Counsel further contends that the instant proceedings for validation of Malaysian Patent No 109862–A only involves the first defendant, drawing particular attention to the averment contained in para 25 of the statement of claim which states:

> The plaintiffs aver that each of them is an aggrieved person and are entitled to institute proceedings against the first defendant for the invalidation of the Malaysian patent.

And in respect of the proceeding for declaration of non-infringement, counsel refers to para 27 of the statement of claim which states:

> The plaintiffs and each of them are/is an interested person entitled to institute proceedings against the first defendant as the owner of the Malaysian patent and the second defendant as a licensee of the Malaysian patent and/or distributor of Taxol for a declaration that importation, distribution, supply,

A sale and/or offer to supply or sale of buzatax do not constitute an infringement of the Malaysian patent under s 62 of the Patents Act 1983.

In the circumstances, it is the second defendant's case that issues (1) and (2) aforesaid are non-issues as between the plaintiffs and the second defendant as there is no legal basis to include the second defendant as a B party in the proceedings and that its inclusion constitutes a misjoinder of party for which O 15 r 6(2)(a) of the RHC is applicable. In respect of issue (3) on the alleged threat of infringement, counsel has contended that it is not a serious issue to be tried because on the plaintiffs' own admissions in their statement of claim and the affidavit-in-reply, the alleged threat was made by the first defendant and not by the second defendant and that there C is no evidence whatsoever to indicate or suggest that the second defendant would be likely to issue any threat and/or warning concerning infringement of the Malaysian patent in question. In the final analysis, it is the second defendant's stand that the plaintiffs' statement of claim does not raise any cause of action against the second defendant on this score.

D Now, the main thrust of the plaintiffs' rebuttal centres on their contention that the second defendant is a proper party to this action. Several factors have been canvassed. First, it is contended that the second defendant being a licensee of the patentee (first defendant), it can invoke s 61 of the Patents Act which confers a right on a licensee to move or request the owner of the patent to institute proceedings for any infringement thereof E and if the owner refuses or fails to do so within three months from receipt of the request the licensee can then institute proceedings on its own. In this case, the plaintiffs say that they are fearful or apprehensive that, by virtue of s 61 aforesaid, the second defendant is likely to commence proceedings against them for alleged infringements of the Malaysian Patent No 109862-A. This fear or apprehension seems to have been exacerbated F by a number of patent infringement proceedings instituted by the first defendant abroad in Australia, United Kingdom and The Netherlands. Secondly, it is alleged that as the first defendant has substantial shareholding in the second defendant, it has therefore effective control of the decision making process of the second defendant and that, in effect, the second defendant is the agent of the first defendant in Malaysia. Thirdly, it G is also alleged that as the seller and distributor of the drug 'Taxol' in Malaysia as reflected in the price list dated 1 April 1999 and a copy of the Master Index Medical Specialist Annual Malaysia 1997/98, exhibited as 'FH-2' (encl 13), the second defendant has therefore substantial interest in the subject-matter of this action. In expanding on the above, counsel for the H plaintiffs submits that the presence of the second defendant is necessary to ensure that all matters in dispute are effectually and completely determined and adjudicated by the court in the present action. He further submits that there are common questions of law and fact on issues relating to the rights and liabilities of the plaintiffs vis-a-vis the first and second defendants arising out of and in connection to the Malaysian Patent No 109862-A.

I Having perused the affidavits filed both in support of and in opposition to the application and having had the benefit of reading the submissions of learned counsels for the parties concerned, I have come to the conclusion

that there is insufficient merit in the application. Here, I would accept, in substance, the contentions canvassed by the plaintiffs. In my view, the second defendant has failed to satisfy the court that the plaintiffs' claim against the second defendant in this action is wholly inarguable or obviously unsustainable. In the circumstances, I agree with the decision of the learned senior assistant registrar and accordingly, this appeal is dismissed with cost.

Appeal dismissed.

Reported by Wong Siok Chin